

CENTRAL PUGET SOUND REGION INNOVATION ZONE PLANNING GRANT

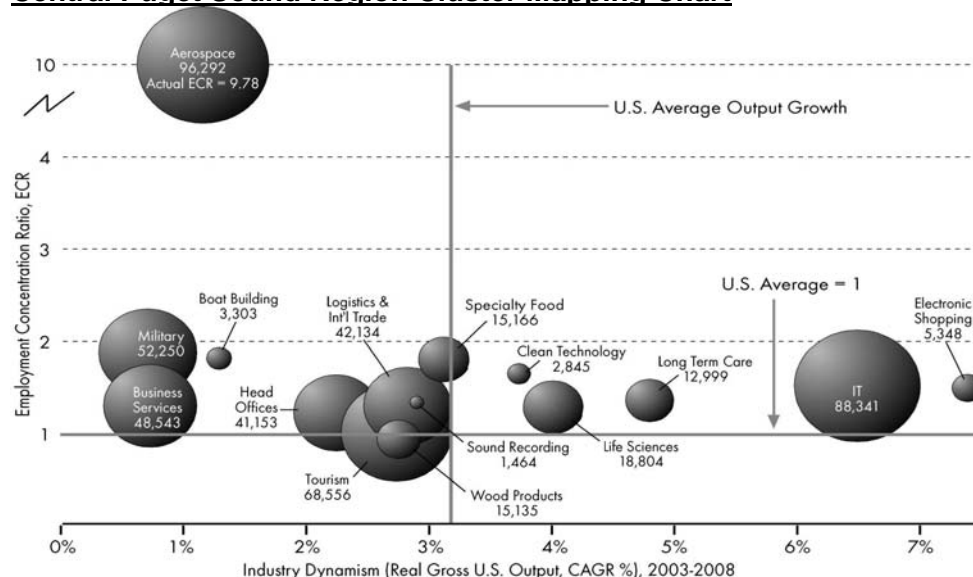
Background

The Puget Sound Regional Council (PSRC), the Workforce Development Council of Seattle-King County (WDC), and enterpriseSeattle (the Economic Development Council for Seattle-King County) are jointly applying for this Innovation Zones Planning Grant. The three partners for this project are all active members of the **Prosperity Partnership**, a broad-based coalition of 198 regional civic, business, investor, academic, entrepreneur, philanthropic, labor, nonprofit, and community organizations dedicated to creating 100,000 new jobs and long-term economic vitality in the Central Puget Sound Region.

The **Central Puget Sound Region of Washington State** is composed of four counties (**King, Kitsap, Pierce, and Snohomish**) and **82 cities**. The Region covers an area the size of the states of Connecticut and Rhode Island combined and has a population of 3.4 million people. It also boasts one of the most advanced maritime and multimodal port complexes in the world. As home to The Boeing Company, Microsoft Corporation, Fred Hutchinson Cancer Research Center, and 50% of all jobs in the State, the prosperity of the Region is critical to the economic health and globally competitive position of Washington and the nation. Unfortunately, the Region also has a history of economic volatility and is struggling to adjust to a changing global marketplace. The Region, however, has mobilized its resources to respond to this challenge.

With fifteen cluster industries, the Central Puget Sound region has the potential for multiple Innovation Zones and grant partners are excited by this opportunity to explore the concept in this large and diverse region. The cluster-mapping chart below illustrates the fifteen clusters currently present in the Central Puget Sound Region. The size of a given sphere illustrates the number of employees in the cluster. Clusters located above the horizontal line are more highly concentrated in the Central Puget Sound Region than in a typical U.S. region. Clusters to the right of the vertical line are forecast to grow more quickly through 2008 than the U.S. economy as a whole.

Central Puget Sound Region Cluster Mapping Chart



Source: ECG/Global Insight, Volume II: Economic Analysis of the Central Puget Sound Region, 2005.
Note: CAGR = compound annual growth rate.

Proposed Planning Strategy and Potential Collaborators

The grant recipient and fiscal agent for this effort will be the **Seattle-King County Workforce Development Council (WDC)**, a private, nonprofit corporation with an annual budget of nearly \$23 million including a number of national grants from the Department of Labor. The WDC has received an unqualified opinion, no findings, and no management letter for any audit since its inception. The WDC is joined in this effort by two key partners: **The Puget Sound Regional Council (PSRC) and enterpriseSeattle**. **The Puget Sound Regional Council** is the Region's Federally-designated metropolitan planning organization and host to the Federally-designated regional economic development district. Through the VISION 2020 Plan (currently being updated for 2040), the PSRC is responsible for integrating transportation, growth management and economic development policies at the regional level. The third partner, **enterpriseSeattle**, is the Economic Development Council for Seattle and King County, delivering client based, economic development case management by executing targeted business retention, expansion, and recruitment strategies. enterpriseSeattle will provide expert and support staff to the planning process. The mission of enterpriseSeattle is to build a world-class economy in King County and its 39 cities by creating, retaining, and recruiting high value companies and jobs. enterpriseSeattle has nearly 90 investors in its public/private economic development partnership, including private sector business, King County, the State of Washington, metropolitan and suburban cities, educational institutions, industry sector associations, Sound Transit, non-profits, and the Port of Seattle. As the leading business and population center for the Puget Sound and the State of Washington, King County must be successful if the State is to maintain and grow a strong vibrant economy and enterpriseSeattle is dedicated to that endeavor.

This partnership will use Innovation Zone funding to support a two-month planning process. Once funded, the partnership will convene an advisory group (Innovation Planning Group) recruited from key stakeholders/members of the Prosperity Partnership (see below). The Innovation Planning Group will be convened by the end of June and will meet weekly through the month of July to address key questions regarding Innovation Zones in the Central Puget Sound Region. The Innovation Planning Group will include representatives from local universities, two-year colleges, businesses, industry associations, government, labor, and community based organizations.

Group members in addition to the applicants will at least include:

- Deborah Knutson, President, Snohomish County EDC
- Bruce Kendall, President, EDB for Tacoma-Pierce County
- David Porter, President, Kitsap EDC
- Susannah Malarkey, Technology Alliance
- James Severson, Vice Provost, Intellectual Property & Technology Transfer, UWTechTransfer
- John Vicklund, President, Washington Manufacturing Services
- Sue Ambler, Interim Executive Director, Snohomish County WDC
- Colin Conant, Executive Director, Tacoma-Pierce County WDC
- Jack Faris, President, WBBA
- Lee Cheatham, Executive Director, Washington Technology Center

The Innovation Planning Group will be staffed through the WDC, the PSRC, and enterpriseSeattle. Staff from these organizations will ensure that the group receives the most up-to-date labor market analysis, comparative research with other economically thriving areas in the country, and other contextual information to guide their discussions. An outside, experienced facilitator will lead each of the meetings. The facilitator will gather information from staff, develop draft agendas, compile notes and recommendations from each meeting, and develop a draft and final report of the Planning Group's recommendations. The facilitator will work closely with executives at the three partner agencies to guide the process.

At the first meeting, the Innovation Planning Group will receive an introduction to the Innovation Zone concept and the planning process funded through this proposal. During July, the Planning Group will meet to address the following topics:

- ✓ How many Innovation Zones exist in the Puget Sound region?
- ✓ What are the geographic boundaries of the Innovation Zone(s) proposed by this group?
- ✓ What recommendations does the group have to foster economic development in the zone(s), especially regarding labor market and skills?
- ✓ What technological advances are needed to increase the competitiveness of industries in the zone(s)?
- ✓ What public policy options are recommended that support workers and industries in the zone(s)?

At a minimum, one meeting will be dedicated to each of the above questions. Due to the overlapping nature of the questions, more meetings and planning time may be scheduled to ensure the greatest possible input from the diverse stakeholders. The group will be convened one last time during the first week of August. The purpose of this meeting will be to review the draft recommendations from the facilitator and propose needed changes. A final report of the group's recommendations will be forwarded to the state on or before August 14, 2006.

Need for Planning Grant Assistance

With the Central Puget Sound Region nearly *10 times* as dependent upon aerospace as the average U.S. region, the aerospace cluster has a deep impact on the regional economy. During boom times, the aerospace sector has historically been a leader in job creation. However, it also contributes disproportionately to job loss when the Region's economy is contracting, as it was for much of the early 2000s. The last few years have been especially challenging for aerospace, and the impact on the Central Puget Sound regional economy has been profound. Between 2002 and 2004, the aerospace industry experienced large-scale layoffs, including the loss of 30,000 Washington jobs at The Boeing Company, the vast majority of those in the Central Puget Sound Region. Given that each Boeing job lost results in the loss of two "multiplier effect" jobs, this represents a loss of 90,000 jobs, or 7% of all jobs in the Region. The Central Puget Sound Region's information technology industry has also been impacted. Between 2001 and 2004, the industry lost 43,600 jobs, putting nearly one out of every five information workers out of work. These losses, coupled with significant job losses in resource-based employment in earlier years, have caused a tremendous lag in economic recovery from the national recession in 2000 for the Central Puget Sound Region, a recovery that is nowhere near complete.

Since 2000, the Central Puget Sound Region has suffered the triple shocks of the dot-com bust, the national recession, and the impact of 9/11 on the aerospace and tourism industries,

resulting in a steep decline in employment. Between April 2000 and April 2005, the regional unemployment rate ranged from 4% to 7.5%. This nearly 90% variance clearly demonstrates the volatility of the Region's employment levels and is coupled with a fluctuating poverty rate that increased from 8.6% in 1999 to 10.8% in 2004.

The jobs that have returned to the Region require more training and higher skill levels as the Region's industry retools its business practices to remain competitive. As several studies have shown in recent years, a skills gap exists between what employers need and what the Region's workforce is currently able to supply. This gap will grow as members of the aging aerospace and logistics and trade workforce retire. A 2004 Employer Survey conducted by the state's Workforce Training and Education Coordinating Board shows that 45% of employers trying to fill positions reported difficulty in finding qualified job applicants. The problem reported is not a scarcity of candidates but a scarcity of workers with post-secondary training. This scarcity begins in the K-12 system. The high school dropout rate of students in the Region is 30%, with only 47.5% of tenth graders passing the math portion and 35.8% passing the science portion of the State's test for measuring student progress, the Washington Assessment of Student Learning (WASL). Additionally, Washington state ranks 38th in production of students with bachelor degrees in science or engineering and 44th in students with graduate level science and engineering degrees.

Another noteworthy factor in the competitiveness of the Central Puget Sound Region is entrepreneurship. While Washington state ranks 2nd in the nation for small business starts, it ranks dead last in small business retention. Additionally, the revenue shortfall for minority owned businesses is a significant challenge. While the overall economy is growing, most categories of minority owned businesses actually saw *declines* in revenue between 1997 and 2002. The unemployment in the region's Hispanic community is over 50% higher than in the region as a whole, and the African American community's rate is over twice as high as the regional rate. Because entrepreneurship is critical to reducing unemployment, improving minority entrepreneurship support is essential to a regional development strategy.

Since entering office, the Governor has raised the alarm regarding the implications of these statistics on future innovation, global competitiveness, and prosperity for our state; an alarm that is not only being heeded, but also addressed, by the Partnership.

Strength of Partnership and Recent Collaborations

The WDC, the PSRC, and enterpriseSeattle are all members in the **Prosperity Partnership**, an initiative that is unique to the Central Puget Sound Region and one that will bring added rigor and validity to the Innovation Planning Group's work during this process.

The Prosperity Partnership was launched in 2003 at a day-long summit attended by more than 1,100 business, government, labor, nonprofit and community leaders. The Partnership is co-chaired by the region's pre-eminent leader in each sector, giving it the ability to make significant regional capacity and development decisions. These are: Alan Mulally, President, Boeing Commercial Airplane Company; Brad Smith, Senior Vice President, Microsoft Corporation; Tomio Moriguchi, Chairman and Chief Executive, Uwajimaya; John Ladenburg, Pierce County Executive; Mark Emmert, President, University of Washington; Charles Mitchell, Chancellor, Seattle Community Colleges District; Rita Ryder, President, YWCA of King and Snohomish Counties; Rick Bender, President, Washington State Labor Council, AFL-CIO.

The Partnership acts on three simple assumptions: (1) the Central Puget Sound metropolis is a single economic unit, (2) the global competitive environment has changed, and (3) the Region must respond as one collaborative coalition to change the way it does business and succeed in this new environment. The Partnership's work plan includes:

- ✓ Working to understand the implications of the changing global economy
- ✓ Bringing together the forces of business, labor, nonprofit, government, academic, and community resources to adapt these changes and set a regional economic agenda
- ✓ Coordinating with existing local efforts to ensure that short-term actions are consistent with the strategy
- ✓ Mobilizing the entire Region behind its single strategy
- ✓ Taking immediate action to implement long-term plans

The Partnership's actions are organized into a two-pronged approach, integrating education, community, workforce, and economic development. The first prong of this bold, sweeping strategy is composed of foundation initiatives in the areas of education and workforce training, technology commercialization, new and small business support, tax structure, transportation, and social capital and quality of life. These foundation initiatives are coupled with cluster-based strategies focusing on four cutting-edge, wealth-generating industry clusters: **Aerospace, Information Technology, Life Sciences, and Logistics and Trade**, as well as the emerging **Clean Technology** cluster. Each has a transformative impact on the overall regional economy through a significant "multiplier effect:" two additional jobs are created in the region for every job created in these clusters.

The Prosperity Partnership has established goals for each foundation initiative as well as Cluster Working Groups for each of the targeted industry clusters. These working groups, led by internationally recognized industry leaders, are committed to the shared vision of the Prosperity Partnership. Each group has established goals and action plans for enhancing the competitiveness of its cluster. Each action plan includes identified "champions" dedicated to implementation; collaborations, leverage, and funding opportunities; and desired outcomes.

The Prosperity Partnership's strategy is based on thorough economic analysis and resource mapping. Its Economic Analysis of the Central Puget Sound Region (September 2005) builds upon analysis previously conducted by the Washington State Employment Security Department's Labor Market and Economic Analysis branch and the Puget Sound Regional Council. It provides an analytic framework around which the collaborative process and long-term strategy shaped by the Prosperity Partnership is structured. An analysis of economic trends and data, it furnishes an up-to-date map of the region's resources and challenges. It also identifies and defines a number of important industry clusters and examines five similar regions to benchmark Puget Sound's strengths and glean best practices in public-private collaboration.

The Prosperity Partnership is greater than the sum of its parts. It represents the first time that government, business, labor, nonprofit, and community leaders across the Central Puget Sound Region have collaborated on a unified economic approach. It is also an action-oriented body that achieved the following wide-ranging results during its **first year** of existence:

- The Partnership took the lead helping the State craft a new, comprehensive transportation package that funds safety, freight, efficiency, and capacity projects
- The Partnership identified the need for a number of Centers of Excellence and Innovation including centers for aerospace and advanced manufacturing

- The Life Sciences Working Group helped the State establish a new Life Sciences Discovery Fund that will boost life sciences research funding and create 20,000 jobs by 2020
- The Life Sciences group also developed and launched an identity, marketing, and branding campaign promoting “Better Health for People Everywhere”
- The Aerospace Cluster Working Group formed the Aerospace Futures Alliance of Washington, a new trade organization dedicated to supporting small businesses in the cluster

In addition to being full members in the Prosperity Partnership, the PSRC, the WDC, and enterpriseSeattle also collaborate on a regional Life Sciences Skills Panel, funded through the Workforce Training and Education Coordinating Board. Facilitated by the WDC, this panel, funded in 2005, focuses strategic and planning efforts on economic development within the Life Sciences sector in the greater Seattle area. The skills panel is comprised of leading CEOs in life sciences, as well as staff from the WDC, enterpriseSeattle, and the PSRC.

Matching Funding

Innovation Planning Grant partners will match grant funding with in-kind support, including the time of private and public sector representatives attending all planning meetings, meeting space, materials, and administrative support. Grant partners estimate a total of \$84,900 match for this proposal. The formula for this match amount is as follows:

1). Innovation Planning Group member time. 20 members per meeting X 3 hours X \$125 per hour (**\$7500**) plus average 1.5 hours travel time per meeting for 20 members at \$125 (**\$3750**). Total Planning Group leverage = **\$11,250**.

2). Leveraged staff to support planning meetings, work with facilitator, research, analysis and writing. Estimate 30 hours staff time per meeting at \$80 per hour. Total staff contributed leverage = **\$ 2400**.

3). Meeting facilities. Estimated room rental at \$250 per meeting. Total facilities per meeting leverage = **\$250**.

4). Equipment and staff space. Estimated staff overhead and equipment costs per meeting contribution = **\$250**.

Per meeting total match cost	\$14,150
Total match over 6 meetings	\$84,900